

Ocean Energy Management, Interior

§ 560.114

For the bidding system . . .	The bid variable is the . . .	And the characteristics are . . .
(g) Cash bonus with a fixed royalty rate of not less than 12.5 percent, at the beginning of the lease period, suspension of royalties for a period, volume, or value of production, or depending upon selected characteristics of extraction, and with suspensions that may vary based on the price of production,	Cash bonus,	Except for periods of royalty suspension, you will pay a fixed royalty rate of not less than 12.5 percent. If we award to you a lease under this system, you must calculate the royalty due during the designated period using the rate, formula, or schedule specified in the lease. We will specify the royalty rate, formula, or schedule in the Notice of OCS Lease Sale published in the Federal Register .

§ 560.111 What conditions apply to the bidding systems that BOEM uses?

(a) For each of the bidding systems in § 560.110, we will include an annual rental fee. Other fees and provisions may apply as well. The Notice of OCS Lease Sale published in the **FEDERAL REGISTER** will specify the annual rental and any other fees the highest responsible qualified bidder must pay and any other provisions.

(b) If we use any deferment or schedule of payments for the cash bonus bid, we will specify and include it in the Notice of OCS Lease Sale published in the **FEDERAL REGISTER**.

(c) For the bidding systems listed in this subpart, if the bid variable is a cash bonus bid, the highest bid by a qualified bidder determines the amount of cash bonus to be paid. We will include the minimum bid level(s) in the Notice of OCS Lease Sale published in the **FEDERAL REGISTER**.

(d) For the bidding systems listed in this subpart, if the bid variable is the royalty rate, the highest bid by a qualified bidder determines the royalty rate to be paid. We will include the minimum royalty rate(s) in the Notice of OCS Lease Sale published in the **FEDERAL REGISTER**.

(e) We may, by rule, add to or modify the bidding systems listed in § 560.110, according to the procedural requirements of the OCSLA, 43 U.S.C. 1331 *et seq.*, as amended by Public Law 95-372, 92 Stat. 629.

ELIGIBLE LEASES

§ 560.112 How do royalty suspension volumes apply to eligible leases?

Royalty suspension volumes, as specified in section 304 of the Act, apply to eligible leases that meet the criteria in

§ 560.113. For purposes of this section and §§ 560.113 through 560.117:

(a) Any volumes of production that are not normally royalty-bearing under the lease or the regulations (e.g., fuel gas) do not count against royalty suspension volumes; and

(b) Production includes volumes allocated to a lease under an approved unit agreement.

§ 560.113 When does an eligible lease qualify for a royalty suspension volume?

(a) Your eligible lease will receive a royalty suspension volume as specified in the Act. The bidding system in § 560.110(g) applies.

(b) Your eligible lease may receive a royalty suspension volume only if your entire lease is west of 87 degrees, 30 minutes West longitude.

§ 560.114 How does BOEM assign and monitor royalty suspension volumes for eligible leases?

(a) We have specified the water depth category for each eligible lease in the final Notice of OCS Lease Sale Package. The Final Notice of Sale is published in the **FEDERAL REGISTER** and the complete Final Notice of OCS Lease Sale Package is available on the BOEM Web site. Our determination of water depth for each lease became final when we issued the lease.

(b) We have specified in the Notice of OCS Lease Sale the royalty suspension volume applicable to each water depth. The following table shows the royalty suspension volumes for each eligible lease in million barrels of oil equivalent (MMBOE):

Water depth	Minimum royalty suspension volume
(1) 200 to less than 400 meters	17.5 MMBOE.